

Note: There have been several changes to Statewide Issues since this Website was last updated. Originally numbering 12, there are now 10 active Statewide Issues, as some have been consolidated into single issues, others have been assigned to individual agencies and some taken off the active list entirely.

1. Procurement

Modernizing Arizona's procurement system can potentially save tens of millions of dollars each year. In 2003, the Governor's Efficiency Review established a procurement team to analyze practices and solicit advice from public- and private-sector experts. The team found that the State lacks the ability to effectively coordinate purchasing across agencies, cannot leverage the State's buying power, and lacks financial information needed to manage procurement enterprise-wide.



The Arizona Department of Administration (ADOA) and the State Procurement Office (AzSPO) continue to advance change by initiating a new e-procurement system, re-examining in-house capabilities and outsourcing to maximize revenues and serve the State's interests.

Throughout Spring 2004, ADOA will roll out the new "SPIRIT" e-procurement system. This new automated, Internet-based procurement system replaces the outdated paper and mail system. It enables state agencies to standardize and consolidate purchases to achieve economies of scale and better utilize technology. Development of an electronic procurement system creates opportunities to aggregate the State's buying power, helps limit wasteful proliferation of contracts for similar products and services, and enables the State to strategically manage its spending.

2. Employee Benefits

Recent State legislation mandated the creation of a self-funded health insurance program for State employees. In 2003, ADOA engaged Mercer Human Resource Consulting to study potential cost benefits of moving from a fully-insured model to a self-funded insurance model. The study showed that the self-insurance model offers many benefits over the fully-insured model.



Benefits include increased choice of providers and customized benefit design for State employees. Also, the State will have greater flexibility over plan design and regain control over spiraling health care cost. Improved data collection will help the State track and trend medical costs, refine reserve estimates, and create disease management and prevention programs, which will improve health outcomes for State employees. The self-insurance proposal is active and the ADOA State Procurement Office sent proposals out for bid in March 2004. The self-insurance program could affect State employees as early as fall 2004.

3. Overpayment Recoveries, Service Fees and Federal Monies

Arizona can significantly increase revenue available for State agencies and programs by recovering overpayments to vendors for goods and services, and by maximizing the amount of federal and service-fee revenue received by the State.



In 2003, the ER Revenue Recovery team analyzed potential overpayment recoveries and found the State 1) utilizes a manual, error-prone, paper-intensive accounts payable process; 2) fails to maximize early payment discounts or other credits, and 3) does not routinely audit paid accounts to find and recover overpayments made to vendors.

The ER Revenue Recovery team found the potential for overpayments to be especially high with telecommunications invoices. Three of the State's largest agencies; the Arizona Department of Administration (ADOA), the Department of Economic Security (DES), and the Arizona Department of Transportation (ADOT) recently conducted telecommunication audits to identify and recover overpayments. The agencies discovered overpayments of \$2.25 million over the past three years. Nearly all of the overpayments resulted from vendors not honoring contract pricing and threshold discounts. The three agencies recovered the overpayments through credits on subsequent invoices or direct repayment from the vendors. The team also identified utility invoices as an area in need of overpayment analysis and enhanced vendor recovery efforts. ADOA, through the State Procurement Office (AzSPO), continues to work on the overpayment recovery effort.

The State can also increase revenue by identifying and obtaining all available federal revenue, and by ensuring that the fees State agencies charge for services are sufficient to cover the cost of the service provided. State agencies provide many services — researching records, making copies, mailing documents, and licensing businesses — for which they charge a minimal or no fee. The State should review the cost of providing such services and establish fees that allow agencies to recoup those costs. The Governor's Office, together with state agencies, are beginning to look at user fees.

4. Shared-Training Initiative



Arizona Government University (AZGU) was established to share training resources, eliminate redundancies, streamline processes, and develop new and innovative approaches to providing training to our State workforce. AZGU provides the infrastructure to consolidate administrative functions such as scheduling, registration, acquisition of training vendors, and maintenance of training records while improving training quality and reducing costs.

In 2003, AZGU staff and state agency training managers worked together to develop a plan to share training resources. This shared-training initiative continues to move forward. When the plan is fully implemented, consolidation of training and sharing of resources will generate savings through more efficient use of resources, reduced outside vendor costs, and greater reliance on automation and e-learning strategies.

5. Energy Conservation



The State is moving forward to immediately reduce energy costs. In 2003, Governor Napolitano directed Cabinet agencies to reduce energy costs by reducing consumption and increasing energy conservation. In addition, agencies with energy bills exceeding \$1 million annually were directed to appoint energy managers to oversee energy projects within their agencies.

The ER Energy team convened its first monthly training session for facility directors and energy managers in September 2003 and is working with state agencies and universities to develop and implement energy projects. Led by ADOA and the Department of Commerce, the project is now known as the Arizona State Energy Conservation Interagency Work Group and meets regularly to improve energy efficiencies statewide.